

**RHODE ISLAND PUBLIC UTILITIES COMMISSION
DOCKET 4994 – COST OF SERVICE STUDY
Providence Water**

**Prefiled Direct Testimony
of
David G. Bebyn CPA
On Behalf of
Kent County Water Authority**

October 8, 2021

INTRODUCTION

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Q. Please state your name and business address for the record.

A. My name is David G. Bebyn, CPA, and my business address is 21 Dryden Lane, Providence, Rhode Island 02904.

Q. By whom are you employed and in what capacity?

A. I am the President of B&E Consulting LLC. (B&E). B&E is a CPA firm that specializes in utility regulation, expert rate and accounting testimony, tax and accounting services.

Q. Are you the same David Bebyn that submitted pre-filed direct testimony in Docket 4994 on behalf of Kent County Water Authority (KCWA)?

A. Yes, I am.

Q. What is the purpose of your testimony?

A. My testimony reflects the results of my review of the Providence Water Supply Board’s (“Providence Water”) new Cost of Service filing, in compliance with Order No. 23928 in Docket 4994 submitted on April 12, 2021, as well as my review of the responses to data requests submitted to date.

Q. Please provide an overview of Providence Water’s Compliance Filing?

A. On December 2, 2019, in Docket No. 4994, Providence Water filed an application to implement a multi-year rate plan pursuant to R.I.G.L. § 39-15.1-4. requesting a three-step increase in rates over the course of three years. An Initial Settlement Agreement was filed in Docket No. 4994 on July 3, 2020, for which KCWA was a signer. The Initial Settlement Agreement (ISA) provided uniform wholesale rates based on a cost of service study. The Public Utilities Commission (Commission) rejected uniform wholesale rates and required the implementation of graduated individual rates for each wholesale customer.

1 On August 25, 2020, Providence Water submitted an Amended Settlement Agreement (ASA)
2 which was signed by Providence Water, KCWA, and the City of Warwick (Warwick). The other
3 intervenors (Bristol County Water Authority and the City of East Providence) and the Division
4 of Public Utilities and Carriers (the Division) did not sign. The ASA implemented the
5 Commission’s adjustments and modifications to the ISA. The COS included with the ASA used
6 individual peaking factors for each wholesale customer without any other material changes to the
7 approach used in the ISA. The ASA did not fully implement the result of this new calculation.
8 Still, at the Commission’s direction, the calculated rates reflected one-third of the change
9 between the rates in the ISA and those fully reflective of the individual wholesale peaking
10 factors.

11
12 Lastly, in its Order, the Commission required Providence Water to perform a new allocated cost
13 of service study considering specific directives identified in Order No. 23928. Those directives
14 were 1)Transmission and Distribution Labor Cost Allocation, 2) Central Operations Facility
15 Allocation, 3) Non-Revenue Water Allocation, 4) Pumping Cost Allocation, and 5)
16 Unidirectional Flushing Cost Allocation. In addition to those directives, the Order also indicates
17 the Commission’s objective to approve individual wholesale rates which “have taken into
18 account all relevant factors, in a manner that is fair to all the affected parties” (p. 33 of the
19 Order).

20
21 **Q. Besides KCWA, what other wholesale customers are serviced by Providence Water?**

22 A. In addition to KCWA, Providence provides wholesale service to Bristol County, East
23 Providence, Greenville, Lincoln, Smithfield and Warwick.

24
25 **Q. Do any of the other wholesale customers have an impact on KCWA?**

26 A. Yes. Warwick Water and KCWA have agreements to wheel water between each
27 company to service certain areas of their service area. As a result, any change to Warwick’s rate
28 will impact KCWA for the water it purchases from Warwick. This Warwick increase was a
29 concern for KCWA since the rate calculations using individual peaking factors for each
30 wholesale customer generated a sizable increase to Warwick vs. a reduction to KCWA. KCWA
31 believed that additional factors were missing from the calculations, given that both Warwick and

1 KCWA are serviced by a low service system and close to Providence's source. Furthermore,
2 Warwick's increase was larger than other wholesale customers located much further from the
3 source and are serviced by a high service system. KCWA, during the hearings, believes a better
4 approach was to have Providence Water do a fully Cost of Service Study as part of its next filing.
5 KCWA ultimately agreed to a phased-in approach and was pleased with the Commission's Order
6 for Providence Water to perform a new allocated cost of service study. In particular with the
7 Commission's directive on Transmission and Distribution Labor Cost Allocation and Pumping
8 Cost Allocation.

9

10 **Q. Are you proposing any changes to Providence Water's new Cost of Service Study at**
11 **this time?**

12 A. No, I am not.

13

14 **Q. How would Providence Water's new COS impact KCWA?**

15 A. Providence Water included a cost of service study in this docket, which calculated new
16 rates would have different impacts for each Wholesale customer. The rates for KCWA would
17 decrease by 28.16% for Rate Year 2 on the water it directly purchases from Providence Water.
18 Regarding the KCWA purchases from Warwick water, those rates would decrease by 7.56% for
19 Rate Year 2. Providence Water did revise the new study for a modification, at the request of the
20 Division, in the allocation of pumping costs. This modification would not impact KCWA or
21 Warwick since only wholesale customers served by the high service system are affected by this
22 change.

23

24 **Q. Is Providence Water proposing that full rates from the COS be implemented?**

25 A. No. Providence Water has indicated that it would be appropriate for the Commission to
26 consider a more gradual phase-in of the cost of service rates like what was done in the Amended
27 Settlement Agreement. The ASA used a phase-in approach by moving 1/3rd of the way to the
28 rates supported by the cost of service study. Providence water also suggested an alternative to
29 establishing a percentage increase cap of 1.75 times the overall revenue requirement increase,
30 which was also used in the Amended Settlement Agreement.

31

1 **Q. Does KCWA support using these suggested phase-in approaches?**

2 A. Yes. KCWA supported the phase-in approach used in the Amended Settlement
3 Agreement and signed the Amended Settlement Agreement.

4

5 **Q. Does that conclude your testimony?**

6 A. Yes.